

## Message Text

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ACTION EUR-12

INFO OCT-01 ISO-00 EURE-00 SP-02 AID-05 EB-07 NSC-05

RSC-01 CIEP-02 TRSE-00 SS-15 STR-04 OMB-01 CEA-01 L-02

H-02 PA-02 PRS-01 USIE-00 SSO-00 NSCE-00 INRE-00

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LAB-04 SIL-01 IO-10 AGR-10 /106 W

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FM AMEMBASSY LONDON

TO SECSTATE WASHDC IMMEDIATE 7506

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DEPARTMENT PASS TREASURY FOR BENNETT AND WIDMAN

E.O. 11652:N/A

TAGS: EFIN, UK

SUBJECT: PRESS COVERAGE OF IMF MEETINGS

BEGIN SUMMARY: UK QUALITY PRESS CARRIED ALMOST DAILY COVER-  
-AGE OF LAST WEEK'S IMF INTERIM COMMITTEE MEETINGS. WHILE  
MAJOR PORTION OF ARTICLES WERE FACTUAL IN NATURE, COVERING  
THE DISCUSSIONS OF RECYCLING, AMENDMENTS TO IMF ARTICLES,  
AND GOLD, GREATEST EMPHASIS WAS ON THE "COMPROMISE" BET-  
WEEN THE US AND THE EC ON THE HEALEY PROPOSAL FOR PETRO-  
DOLLAR RECYCLING. MOST ARTICLES WELCOMED BOTH ADOPTION OF  
IMF OIL FACILITY AND AGREEMENT ON US "SAFETY-NET" FACIL-  
ITY. DIRECT COVERAGE OF HEALEY PRESS CONFERENCE MINIMAL.  
END SUMMARY

1. MOST PRESS ARTICLES EARLY IN THE WEEK OF THE G-10/IMF  
INTERIM COMMITTEE MEETINGS (JANUARY 13-17) PRESENTED  
FACTUAL COVERAGE OF THE ISSUES BEING DISCUSSED: RECYCLING  
FACILITIES, AMENDMENTS TO IMF ARTICLES, IMF QUOTAS, AND  
GOLD. THE MAJOR EMPHASIS, HOWEVER, WAS ON THE ANTICIPATED  
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COMPROMISE BETWEEN THE US AND THE EC ON THE ISSUE OF

PETRODOLLAR RECYCLING FACILITIES. BOTH FINANCIAL TIMES AND LONDON TIMES ARTICLES INDICATED EARLY IN THE WEEK THAT A COMPROMISE SETTLEMENT OF THE ISSUE WAS FULLY EXPECTED BY THE CONCLUSION OF THE WEEK'S MEETINGS, ESPECIALLY AFTER DR. BURNS' WEEKEND VISIT TO BONN WHERE HE "SUCCEEDED IN TALKING THE WEST GERMANS ROUND TO ACCEPTING THE KISSINGER (SAFETY-NET) PROPOSAL."

2. THE LONDON TIMES CARRIED A BUSINESS PAGE LEAD STORY ON JANUARY 16, ENTITLED "IMF COMMITTEE ADOPT HEALEY PLAN WITH RECYCLING FUND OF \$6,000 MILLION." OUTLINING THE DETAILS OF THE "HEALEY PLAN" FOR RECYCLING, WITH THE INITIAL FUNDING BEING SET AT SDR 5,000 MILLION, THE ARTICLE STATED THAT: "MR. HEALEY, CHANCELLOR OF THE EXCHEQUER, IS SATISFIED WITH THIS AGREEMENT, ALTHOUGH IT FALLS SHORT OF THE \$12-14,000 MILLION IMF FACILITY WHICH THE 9 EEC FINANCE MINISTERS AGREED TO SEEK AT LAST WEEK'S MEETING IN LONDON. THE \$6,000 MILLION APPROVED CAN BE TOPPED UP QUITE QUICKLY FROM NON-OPEC SOURCES, SUCH AS CONTRIBUTIONS BY THE INDUSTRIAL COUNTRIES AND THE IMF'S OWN RESOURCES, INCLUDING MONEY LEFT OVER FROM THE 1974 RECYCLING FACILITY."

3. IN SATURDAY'S (JANUARY 18) FINANCIAL TIMES ARTICLE ENTITLED "PETRODOLLAR COMPROMISE WILL LIMIT WORLD RECESSION" PAUL LEWIS WROTE: "LAST NIGHT'S DECISION ON THE PETRODOLLAR RECYCLING BY THE FINANCE MINISTERS OF THE MAJOR INDUSTRIAL COUNTRIES IS EXPECTED TO LIMIT WORLD RECESSION, STRENGTHEN CONFIDENCE IN THE INTERNATIONAL MONETARY SYSTEM, AND ENCOURAGE THE US AND THE COMMON MARKET TO COOPERATE IN DEALING WITH THE ENERGY CRISIS.

...IN THE END THE MINISTERS MADE THE OBVIOUS COMPROMISE, ACCEPTING THE COMMON MARKET'S PLAN FOR AN IMMEDIATE \$6 BILLION RECYCLING FACILITY IN THE IMF, WHILE THE EUROPEANS HAVE AGREED TO ENDORSE DR. KISSINGER'S PLANS FOR A NEW FINANCIAL SAFETY NET IN THE OECD.

...IN BROADER TERMS, THIS WEEK'S AGREEMENT MEANS THAT THE INDUSTRIAL WORLD NOW HAS A DOUBLE LINE OF DEFENSE AGAINST PAYMENTS STRAIN RESULTING FROM THE OIL PRICE INCREASES WHILE A POTENTIAL SOURCE OF CONFLICT BETWEEN THE US AND THE COMMON MARKET HAS BEEN REMOVED."

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4. IN A LENGTHY EDITORIAL ON SUNDAY (JANUARY 19), MALCOLM CRAWFORD, ECONOMICS EDITOR OF THE SUNDAY TIMES, WROTE OF THE SEVERAL "COMPROMISES" AND "RETREATS" MADE BY THE US DURING THE IMF DISCUSSIONS.

"THE US AND EUROPE HAVE PATCHED UP THEIR DIFFERENCES AND AGREED UPON EACH OTHER'S PLANS FOR RECYCLING OPEC OIL REVENUES. IN WHAT HAD THREATENED TO BE THE MOST SERIOUS

US-EUROPEAN CONFRONTATION SINCE JOLTING JOHN CONNALLY LEFT THE US TREASURY, THE US GAVE WAY GRACEFULLY AND AGREED TO A PLAN FOR RECYCLING THROUGH THE IMF, SIMILAR TO THAT PROPOSED BY DENIS HEALEY LAST OCTOBER. THE AMOUNT, HOWEVER, WAS ONLY \$6.2 BILLION, AGAINST HEALEY'S PROPOSED \$30 BILLION. US TREASURY UNDER SECRETARY JACK BENNETT SAID, AFTER HIS BOSS WILLIAM SIMON HAD AGREED TO THE LOWER

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. FIGURE, THAT THE CORRECT AMOUNT FOR THE IMF OIL FUND WAS ZERO. BUT HIS SAYING THAT ONLY UNDERLINED THE IMPORTANCE OF THE US RETREAT."

CRAWFORD WENT ON TO DESCRIBE THE REASONS FOR US RELUCTANCE TO ACCEPT THE IMF FACILITY (IT GIVES THE OIL PRODUCERS A SAFE AND PROFITABLE HOME FOR THEIR MONEY, MADE IT HARDER TO PERSUADE THEM TO LOWER THE PRICE, MORE USE COULD BE MADE OF EXISTING FUND RESOURCES, ETC.), THE HEALEY REASONS FOR PURSUING SUCH A FACILITY (NEED FOR INCENTIVES TO ATTAIN FUTURE ARAB COOPERATION) AND ENDED BY STATING, "IN ANY EVENT, THE FIGURES ATTACHED TO LAST

WEEK'S COMPROMISE ARE PROBABLY TOO SMALL TO SETTLE THIS ARGUMENT EITHER WAY."

CRAWFORD ALSO CITED THE ACCEPTANCE OF A 32.5 PERCENT IMF QUOTA INCREASE AS ANOTHER CONCESSION BY THE US, WHICH WANTED ONLY A 25 PERCENT INCREASE.

5. COMMENT: THE ABOVE CITED QUOTAS FROM THE WEEK'S PRESS COVER THE MAIN ARTICLES OTHER THAN FACTUAL PRESENTATIONS OF THE TOPICS OF THE IMF DISCUSSION. THE PRESS DID NOT UNCLASSIFIED

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ATTRIBUTE ANY OF THE STATEMENTS DIRECTLY TO CHANCELLOR HEALEY ALTHOUGH THE INTONATION OF SEVERAL ARTICLES INDICATED THAT AT LEAST PORTIONS OF THE STORIES RESULTED FROM COVERAGE OF THE CHANCELLOR'S PRESS CONFERENCES. WHILE THE ARTICLES STRONGLY EMPHASIZE THE "COMPROMISE" WHICH OCCURRED, THE TONE OF THE ARTICLES WAS MORE LAUDATORY TOWARD THE US WILLINGNESS TO COOPERATE RATHER THAN INFERENCE THAT COMPROMISE INDICATED WEAKNESS.

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## Message Attributes

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**Review Authority:** CollinP0  
**Review Comment:** n/a  
**Review Content Flags:**  
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**Review Event:**  
**Review Exemptions:** n/a  
**Review History:** RELEASED <07 APR 2003 by RuthemTJ>; APPROVED <18 FEB 2004 by CollinP0>  
**Review Markings:**

Margaret P. Grafeld  
Declassified/Released  
US Department of State  
EO Systematic Review  
05 JUL 2006

**Review Media Identifier:**  
**Review Referrals:** n/a  
**Review Release Date:** n/a  
**Review Release Event:** n/a  
**Review Transfer Date:**  
**Review Withdrawn Fields:** n/a  
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**TAGS:** EFIN, UK, US, IMF  
**To:** STATE  
**Type:** TE  
**Markings:** Margaret P. Grafeld Declassified/Released US Department of State EO Systematic Review 05 JUL 2006